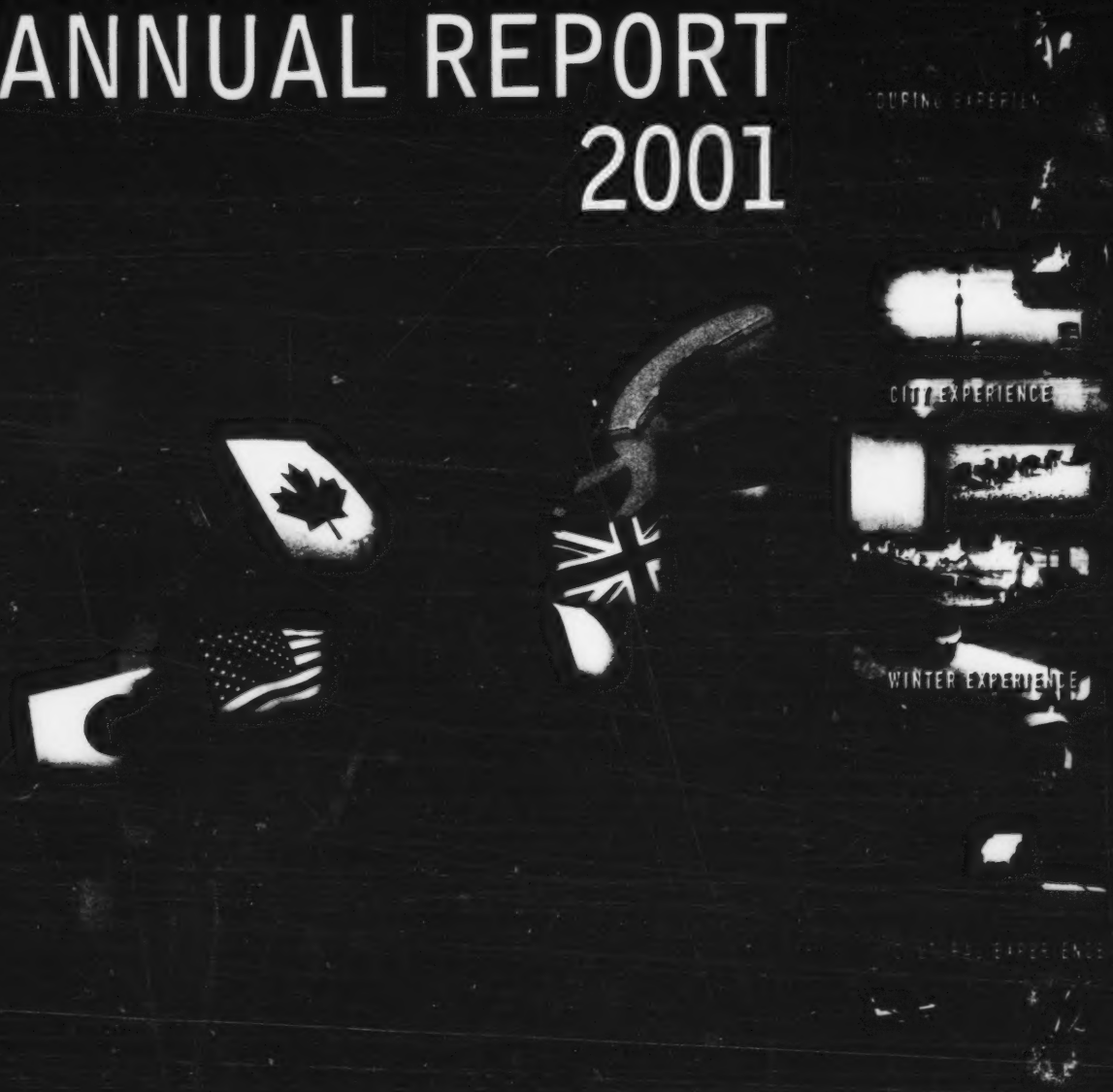
CANADIAN TOURISM COMMISSION

ANNUAL REPORT 2001



Discover our true nature

Canada

Industry Vision

Canada will be the premier four-season destination to connect with nature and experience diverse cultures and communities.

Industry Mission

Canada's tourism industry will deliver world-class cultural and leisure experiences year-round, while preserving and sharing Canada's clean, safe and natural environments. The industry will be guided by the values of respect, integrity and empathy.

CTC Vision

To be the leading tourism destination marketing organization in the world.

When the Canadian Tourism Commission (CTC) became a Crown corporation on January 2, 2001, it gained the stability and status required to secure its leadership role in Canada's tourism industry.

As a Crown corporation, the CTC has the flexibility to respond more effectively to industry and market demands. That flexibility is essential to maintaining and acquiring the human resource skills and experience it needs to develop and deliver strategic tourism programs.

At the same time, the CTC's new flexibility enables it to better manage the marketing investment it generates through partnerships. This ensures the effective and efficient management of both CTC's and its partners' contributions, including those long-term commitments often required over and above year-to-year fiscal planning.

As a Crown corporation, the CTC is ideally positioned to respond quickly and efficiently to the tourism industry's needs and opportunities.

Within this context the CTC contributes to:

- establishing a Canada Brand;
- a vibrant and profitable Canadian tourism industry;
- marketing Canada as a desirable tourist destination;
- supporting a cooperative relationship between the private sector and the governments of Canada, the provinces and the territories with respect to Canadian tourism; and
- providing information about Canadian tourism to the private sector and to the governments of Canada, the provinces and the territories.

"There's No Place Like Home:" The "Travel Canada" campaign was launched with the help of popular Canadian singers Jann Arden and Julie Massicotte at the Montreal Science Centre.

Cover

Six markets comprise 90 per cent of the total of Canada's tourism receipts and tourist arrivals. These markets are Canada, United States, Japan, United Kingdom, France and Germany.

Five product clusters underscore the marketing efforts of the Canadian Tourism Commission. These product clusters are city, outdoors, winter, culture experiences, and touring experiences.

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Chairman's Message

Judd Buchanan,
Chairman of the Board

2001 marked a new era in the evolution of the Canadian Tourism Commission (CTC). Five years after it was established as a special operating agency, the CTC became a Crown corporation in January 2001. Under this new organizational status, our mandate remains the same to market Canada, in partnership with industry, as a premier four season tourist destination, and, provide information to the tourism industry. The Board of Directors continues to be private sector led, and balance public and private sector interests from all regions of Canada. But the processes that made this happen changed. As a Crown corporation, we now have the flexibility to respond more effectively to industry and market demands. I believe that as a Crown corporation, the CTC will be guaranteed an even more successful future and allow us to move closer to our vision of becoming the leading destination marketing organization in the world.

One of the key successes of the CTC has been its partnership approach. In fact, partnerships are the cornerstone of CTC activities. The degree of partner involvement and funding from the private and public sector is key to defining the scope of our programs. In 2001, we worked with over 1,000 partners developing and implementing programs to increase our competitiveness and our global share. Since 1996, partner funding has matched the federal government's on-going contribution to the CTC. The past year was no exception. In 2001, the Government of Canada committed a one term injection of $15 million to respond to Industry concerns resulting from September 11. Monies from our public and private sector partners matched the on-going amount of $83.5 million provided by the Government of Canada.

EXPORTS OF SERVICES, 2000

	$ Millions	% Share
1. Commercial Services	27,139	49.1
2. Travel	15,897	28.8
3. Transportation	10,827	19.6
4. Government Services	1,427	2.5
Total	55,291	100.0

Travel ranked second among exports of services.

While tourism revenues and travel to and within Canada have grown in recent years, 2001 saw an economic slowdown. This downturn in the economy was further affected by the terrorist attacks in the United States on September 11. These attacks have had an indelible effect on all of us and have made us look at the world in a different way. We still do not know the final full impact of these attacks on the global economy but we do know that the immediate impact on tourism has been negative.

The need to work together was never more compelling than after September 11 in order to keep our tourism industry moving and thriving. Immediately following the events, the CTC and its partners came together to try to mitigate the impact and put in place several initiatives to help restore consumer confidence and stimulate travel.

During the last quarter of 2001, we focused mainly on augmenting our marketing efforts to maintain momentum and help the industry return to a sense of normalcy. The CTC Board will continue to focus on the challenges that impact our growth and our competitiveness as well as ensure that the CTC is equipped with the resources and funding to meet its objectives.

I would like to acknowledge the dedication and hard work of our Board of Directors, committee members and staff during this challenging year. I would also like to extend my appreciation to all our partners for their commitment and vision in creating programs that will position Canada as a premier four-season destination.

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One cannot reflect on 2001 without envisioning the horrible and tragic images of September 11, and what those acts of terrorism did not only to our industry, but to the world as we knew it.

Thinking back on that day, it was one filled with a range of emotions, shock, outrage, fear and sorrow. Our thoughts were, and continue to be, with the families of the victims, including the 26 Canadians who were killed.

It became very obvious that those acts of terrorism were going to have a dramatic impact on the tourism industry, and more than ever, the CTC would be looked upon for leadership and guidance. No other sector was more adversely affected than the tourism and transportation industries.

What made me the most proud following the events of September 11 was the tremendous professionalism and dedication of the CTC, its partners and the industry as a whole. The CTC rose to the challenge and within days after the initial shock, our staff was put to the test -a test at which they excelled.

Our research team, under the direction of Scott Meis, put together a plan that would inform the industry of essential pieces of information, market research and public opinion polls.

Our marketing team, under the direction of Patrick Gedge and Tom Penney, were in constant contact with our superb sales offices around the world ensuring that their market intelligence was widely distributed.

Our marketing staff in Ottawa worked closely with our marketing committees to ensure that a marketing and advertising campaign would be ready for a quick launch if we received additional Federal support.

Our Chairman was successful in convincing the Finance and Industry Ministers and the Prime Minister of our need to remain competitive post-September 11 and, as a result, we received an additional one-time federal contribution of $15 million for a domestic and U.S. Marketing Campaign. Internally, we redirected $5 million for the campaign.

The focus of our strategy was based on sound research and valuable industry input concentrated on the domestic market and the near border market in the U.S. However, we also ensured that we did not abandon our long standing relationship with other key European, Asian, and Latin American markets.

The CTC Board of Directors was extremely helpful during these challenging times and thanks to their leadership, staff was given direction to allocate the resources.

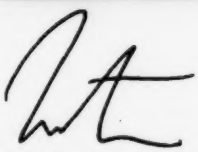
Early indicators point to the wisdom of our strategy. Intentions to travel in Canada started to increase with our TV, print and web campaign in Canada. The U.S. campaign launch in January 2002 is also expected to bring positive results to our industry.

One of the most valuable lessons of September 11 was the importance of meaningful and strong partnerships. A lot of organizations talk about partnerships, the CTC in my opinion, walks the walk. As we celebrate our first year of being a Crown corporation, 2001 will be long remembered as a year of change, challenge and opportunity.

Our industry led Board and committees, the public/private relationship we have with national groups such as TIAC, the Hotel Association of Canada, the Canadian Tourism Human Resources Council, and the Association of Canadian Travel Agents and our strong ties to the provinces and territories, are proof positive that the CTC model is working.

I urge you to read some of the accomplishments of the CTC and have pride in this $54 billion industry and the more than 560,000 men and women who are employed because of tourism demand.

My thanks to the industry and our Board and the hundreds of volunteers for a job well done.



Jim Watson,
President and CEO

WORLD'S TOP TOURISM DESTINATIONS 2000

INTERNATIONAL TOURISTS

	Receipts		Market Share (%)	
	1999	2000	1999	2000
1. United States	74.9	85.2	16.4	17.9
2. Spain	32.4	31.0	7.1	6.5
3. France	31.5	29.9	6.9	6.3
4. Italy	28.4	27.4	6.2	5.8
5. United Kingdom	20.2	19.5	4.4	4.1
6. Germany	16.7	17.8	3.7	3.7
7. China	14.1	16.2	3.1	3.4
8. Austria	12.5	11.4	2.7	2.4
9. Canada	10.2	10.8	2.2	2.3
10. Greece	8.8	9.2	1.9	1.9
11. Australia	8.0	8.4	1.8	1.8
12. Mexico	7.2	8.3	1.6	1.7
13. Hong Kong	7.2	7.9	1.6	1.7
14. Turkey	5.2	7.6	1.1	1.6
15. Russia	7.5	7.5	1.6	1.6

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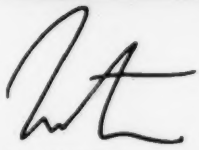

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11. Australia	8.0	8.4	1.8	1.8
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Impact of September 11 Events on the Tourism Industry

The events of September 11 created shock waves around the world. The effect of these waves will be evident as you proceed through this report. In addition to the tragic loss of life in the United States and the profound impact on our way of life, every sector of the economy was affected. That includes first and foremost the tourism industry.

As reports in the media make clear, airlines have been especially hard hit, as have a number of major hotels. Not so widely reported is the impact that September 11 has had on small and medium sized businesses. If people are unable or unwilling to travel by air, the need for commercial accommodation decreases, as does the demand for guide services, visits to tourist attractions, as well as attendance at cultural events.

Business losses have varied widely across the country and by industry sector. Most losses were immediate and, hopefully, short term. However not withstanding this, a significant degree of uncertainty continues to surround the future of tourism. The fact that economic conditions were weakening prior to September 11 only compounds the situation.

Nevertheless, the CTC and Canada's tourism industry have maintained our presence in key markets. We will move forward in anticipation of a return to more normal business conditions, or at least a new normalcy.

In the immediate term, CTC's marketing strategy will continue to focus more on the domestic market and northern-tier states, where Americans have a high propensity for travel to Canada by automobile. However, in 2002 and beyond, we believe it is important to stay the course. The CTC fully intends to proceed with the plans it put in place prior to September 11.

Results contained in this report are based on the most up-to-date information available. Over the past few weeks and months, the CTC has consulted with tourism marketing agencies in every province and territory, as well as many individual business operators. Internationally, our in-market sales representatives met with local tour operators and others in the travel trade involved in selling Canada as a destination. Finally, we have undertaken new consumer research in Canada and internationally to assess attitudes and travel plans for the coming year.

In this time of crisis, the CTC has provided leadership when Canada needed to have a strong voice. At the same time, our historical strengths especially our abundant natural beauty and safe, clean cities, our well developed infrastructure, our proximity to the U.S. market, and our economic, political and social stability are more relevant than ever.

Herbert Lake, Banff National Park, Alberta

Industry Performance

Despite declines in some areas, chiefly the result of September 11, preliminary estimates show that tourism remains an increasingly important sector of the Canadian economy.

- The tourism Gross Domestic Product reached $22.4 billion in 2001.
- Total government revenues from tourism were $16.7 billion.
  - Federal government: $9.1 billion
  - Provincial/territorial governments: $6.5 billion
  - Municipal governments: $1.1 billion
- Canada attracted 19.6 million international overnight visitors in 2001.
- Total spending by international travellers to Canada reached $16.3 billion, an increase of 2.8 per cent. That makes tourism one of Canada's top foreign exchange earners.
- Tourism provides jobs in many sectors-transportation, accommodation, food and beverage services, recreation and entertainment, and travel agencies. Tourism drives employment and provides jobs for Canadians in every part of the country. In 2001, estimates indicate employment directly related to tourism totalled 561,400, an increase of 2.7 per cent over 2000.
- The increase in the cost of tourism products was less than that of other consumer products. The Tourism Price Index rose by 2.2 per cent, compared to a 2.7 per cent rise in the Consumer Price Index. Below average price increases in transportation and average increases in accommodation services contributed to the lower increase.
- According to the preliminary international travel account estimates, Canadians spent $17.6 billion on foreign travel outside Canada, down 2.2 per cent from 2000. The difference between the spending of Canadians abroad and that of international travellers to Canada generated a travel deficit of $1.3 billion, a decline of 38 per cent over 2000. This is the lowest annual travel deficit since 1986.
- The World Tourism Organization ranks Canada as the ninth most popular destination in the world. Canada's share of the international tourism travel market in 2000 was 2.9 per cent. Also, Canada ranked ninth among tourism earners with a 2.3 per cent share of total international tourism receipts.

Big Horn Mountain Sheep, Alberta

YEAR 2001 RESULTS

Tourism Gross Domestic Product	**$22.4 billion**
Tourism share of GDP	**2.1%**
Employment	**561,400 jobs**
Tourism's contribution to governments through taxes	**$ 16.7 billion**
Total tourism expenditures	**$53.8 billion**
Total tourism exports	**$ 16.3 billion**
Tourism domestic demand**	**$ 37.5 billion**

* Preliminary Estimates

** CTC estimates from NTI due to absence of accepted CTS data.

CTC Overview

LEADERSHIP TEAM

Jim Watson
President and Chief Executive Officer

Roger Wheelock
Executive Vice-President and Chief Operating Officer

Karin Zabel
Vice President Finance and Chief Financial Officer

Patrick Gedge
Senior Vice-President Marketing and Sales

Chantal Péan
Vice-President Information Services and Corporate Secretary

Thomas Penney
Vice-President Planning

Butchart Gardens, Victoria, Vancouver Island

Partnership in action

A public-private partnership, the CTC's overall mandate is to plan, direct, manage and implement programs to promote tourism in and to Canada, and provide timely and accurate information to the industry that assists in their decision making.

In its structure and mode of operation, the CTC demonstrates its fundamental commitment to the principle of partnership.

The industry led Board of Directors sets overall strategic policy and direction for the CTC. The 26 members include representatives from all sectors of the Canadian tourism industry and all regions of Canada. Membership is drawn from both the private and public sectors.

Montreal was named one of the top 10 dining destinations by Travel & Leisure magazine.

The Board selects the chairs for the working committees that develop CTC programs in collaboration with the industry. The chair of each committee (who is from the private sector) in combination with the committee develops the strategic plan for the program.

There are seven working committees. Four are responsible for geographically defined and segmented markets and one, MC&IT, is global. Two others focus on research, and industry and product development.

The Working Committees are:

- Canada Marketing
- U.S. Marketing
- Meetings, Conventions and Incentive Travel Marketing (MCIT)
- Europe/Latin America Marketing
- Asia/Pacific Marketing
- Research
- Industry and Product Development

Staff

As of December 31, a workforce of 98 supports the Board and the working committees. Staff in marketing, research, industry and product development and corporate and information services work out of the CTC Ottawa office. A global sales force of 71 professionals is stationed in major CTC markets in the United States, Europe/Latin America and the Asia/Pacific region.

Staff provide expertise and information to help committees develop the best strategic programs. Once the Board approves a program, staff implement the plans efficiently and effectively. The staff also work with industry and public sector partners to win support for the programs and to monitor the work.

Partners

The CTC is dedicated to partnership in all its projects. In the past year, the CTC worked in partnerships with:

- departments of every order of government – federal, provincial/territorial, and municipal;
- destination management organizations and visitors and convention bureaus;
- transportation carriers;
- hotels and resorts;
- businesses in the food and beverage, recreation and entertainment industries;
- the professional travel trade-wholesalers, "receptives," tour operators and travel agencies;
- museums, theatres, parks, wilderness reserves and other attractions, as well as their expert guides and interpreters;
- thousands of tourism businesses – small, medium and large – in communities across the country;
- non-tourism industries in Canada and abroad; and
- non-traditional partners, such as Samsonite, Canada Dry and Maserati.

2001 Expenditures

Financial Analysis

This segment of the report is based on the Commissions financial performance for the year ended December 31, 2001. Consequently the audited financial statements, as presented later in the report, are an integral part of this analysis and should be read in conjunction with the discussion.

The fiscal year was the first year of financial independence for the CTC. As a new Crown Corporation the year-end changed from March 31 to December 31.

The Canadian Tourism Commission is mainly appropriations funded by the Government of Canada. The approved funding level for the year ending December 31, 2001 was $ 103 million. This amount was somewhat higher than the previous year due to the amount of funds transferred to the CTC January 2 as the fiscal year commenced. Funding received from the government supports not only operations but also capital expenditures and encompasses fully the cost of operations in Canada and abroad.

Partnership Contributions

In addition to appropriations received the CTC also received some partnership contributions. One of the key objectives of the CTC is to seek joint partner initiatives with industry or other public sector organizations. These contributions can take two forms - cash or in kind contributions. Cash can be received directly by the CTC or by a third party. Total partnership contributions in fiscal year 2001 were $ 83 million. Of this amount $ 7.9 million was received directly by the CTC, $ 66.3 million were administered by third parties and $ 8.8 represents in kind contributions.

Marketing and Sales

Expenditures of $ 79.8 million were made to support marketing and sales functions. This includes marketing staff and services at our head office in Ottawa and at our sales offices throughout the world. These expenditures include salaries, program, advertising and corporate marketing initiatives.

Information Services

During the year 2001 $ 9.3 million was spent for information services. Costs include salaries, research, corporate communications and TRDC.

Corporate Services

Our total costs of overhead were $11.5 million during 2001. This includes traditional overhead functions such as finance, procurement, human resources, technology and planning. All efforts are made to ensure overhead levels remain reasonable however the year 2001 was an exceptional year and some start up costs were incurred.

Capital Assets

Capital assets reflect computer equipment (hardware and software), furniture and fixtures, web site development costs, and leasehold improvements.

Employee Future Benefits

The financial statements for the year ended December 31, 2001 reflect the CICA Handbook section 3460, which deals with the valuation and accounting treatment of future liabilities for employee benefits. This is shown on the balance sheet as a liability of $ 3.8 million representing pension and severance benefits.

Deficit of Canada

Under Generally accepted accounting principles the balance sheet as at December 31, 2001 reflects a deficit position of $ (2,0 million). This represents liabilities incurred which have not yet been funded by appropriations, largely employee future benefits.

Musical Ride – RCMP, Ottawa

Major Markets Overview

Algonquin Provincial Park, Ontario

Elk, Jasper National Park, Alberta

Overnight trips and receipts declined in all international markets except the United States in 2001. Canadian and international visitors took more than 34 million overnight trips to and within Canada, a decrease of 0.1 per cent from the previous year although revenues increased 2.8 per cent to a preliminary estimate of $20.4 billion in 2001.

International overnight travel to Canada

Canada's most important international market, the United States, accounted for over 78 per cent of international overnight trips to Canada. Business overnight travel from the U.S. declined 3.4 per cent while leisure travel increased 3.0 per cent. Soft economic conditions, exacerbated by the events of September 11, prompted Americans to visit closer to home.

Overall, overnight visitation to Canada from overseas markets declined by 6.3 per cent to 4.0 million visits. At 9.5 per cent, the decline was most pronounced in the Asia/Pacific region, again the result of the combination of a slowing economy in the U.S., the continued weakness of the Japanese economy and the impacts of September 11.

Europe/Latin America did not escape the social and economic turmoil, recording a decline of 5.3 per cent. In Italy, overnight travel to Canada was down 16.2 per cent; in Germany, the drop was 11.9 per cent.

Global events also resulted in poor performance from other specific markets. Overnight travel from Taiwan was down 28.6 per cent, from Brazil 22.4 per cent and from Japan, 17.6 per cent.

International overnight receipts

According to Statistics Canada preliminary estimates, excluding airfares, international tourists spent $13.1 billion on travel to Canada in 2001, an increase of $592 million (or 4.7%) in foreign exchange earnings from 2000. Over 60 per cent of Canada's foreign exchange earnings came from the U.S. market. The balance came from overseas markets, predominantly Europe.

In 2001, the currencies of several important countries in Europe and Asia continued to lose ground to the Canadian dollar, making travel to Canada more expensive.

MARKET PERFORMANCE 2001*

OVERNIGHT TRIPS (thousands)

	2001*	2000	change
Canada**	14,541	14,614	-0.5%
U.S.	13,252	12,862	+3.0%
MC&IT	2,277	2,363	-3.4%
Europe/Latin America	2,722	2,876	-5.3%
Asia/Pacific	1,314	1,430	-9.5%
Total	34,106	34,145	-0.1%

REVENUES ($ billions)

	2001*	2000	change
Canada**	7.329	7.366	-0.5%
U.S.	6.470	5.666	+14.3%
MC&IT	1.626	1.782	-8.8%
Europe/Latin America	3.242	3.292	-1.5%
Asia/Pacific	1.769	1.775	-0.4%
Total	20.436	19.881	+2.8%

* Preliminary Estimates

** CTC interprovincial estimates from NTI due to absence of accepted CTS data.

Marketing & Sales

The CTC has four major geographic markets and one global market Meetings Conventions, and Incentive Travel (MC&IT). Geographic markets are: Canada, the United States, Europe/Latin America, and Asia/Pacific. Activities in these areas tend to focus on:

- increasing visitation and revenues;
- gaining market share;
- raising awareness of Canada as a travel destination;
- developing motivational appeal to potential visitors;
- distributing activities and product for all seasons;
- stimulating product development;
- building traditional (tourism industry) and non-traditional (outside the tourism industry) partnerships;
- facilitating the sale; and
- tracking results.

In Marketing and Sales, the focus of the CTC's Ottawa based marketing staff is very strategic and accountable for the overall implementation of Committee plans. The international sales force, on the other hand focusses on day to day business development in support of the industry and partners. Marketing and sales are complementary and their combined work is critical to the success of the CTC.

Based in 15 countries, the international sales force supports the travel industry through the following primary functions:

- Educating travel industry stakeholders by:
  - staging seminars
  - implementing the Canada Specialist Program;
  - testing travel products; and
  - speaking at special events.
- Positioning product with tour operators, travel agents and meeting planners by:
  - responding to trade inquiries;
  - organizing buyer participation at Rendez-vous Canada; and
  - conducting product testing tours.
- Providing a venue to link to the Canadian and local tourism industry by:
  - profiling local accounts;
  - providing marketplaces; and
  - organizing "ateliers" or road shows.
- Raising awareness of Canada as a travel destination by:
  - facilitating unpaid media coverage;
  - organizing in-market special events and promotions;
  - providing partnership opportunities;
  - creating targeted materials;
  - providing delivery systems through non-traditional partners; and
  - maintaining databases to access qualified customers.

Caribana Parade, Toronto, Ontario

Product Development

CTC is a federally national tourism ation which nates the three ents of supply) and demand ing and sales) by research to te the marketing . Research the CTC to track the ion of these two and information to issues. For efficiency tiveness, all ponents must ly interact and another.

The CTC works with Canada's tourism industry to increase the country's supply of market ready tourism products and experiences. Together, we are improving the quality and increasing the quantity of existing products as well as packaging tourism products to encourage greater sales.

The CTC recognizes that close coordination is essential between product development and marketing and sales. Therefore, as part of the CTC's organizational restructuring in 2001, product development and marketing and sales were combined in the same business unit.

Product Clubs

The Product Club program is the most visible and successful of the CTC's product development initiatives. Product Clubs are comprised primarily of small businesses engaged in similar or complementary lines of business. Members share information and work collectively to develop new products and packages and to upgrade the quality of existing products. Four new Product Clubs were created in 2001, bringing the total to 34. More than 5,000 individual businesses now belong to Product Clubs.

In addition to the Product Club program, which is open to all sectors of the tourism industry, several product clusters have been identified for specific attention in terms of product development. They include, Outdoor Tourism, Cultural Tourism and Winter Tourism.

Outdoor Tourism

Research confirms that the great outdoors is Canada's most appealing tourism feature. However, today's tourists are looking for more than simply beautiful vistas. They want to experience nature first-hand, through activities like hiking, cycling, whitewater rafting, canoeing, fishing, bird-watching, wilderness camping or even staying at a luxury resort. In each case, the experience requires, or is heightened by, a variety of tourism businesses that provide interpretive programs, guiding services, equipment rentals, and accommodations.

Outdoor tourism in Canada is characterized by thousands of small operators, many of whom need product development support. The CTC has identified this product cluster as a priority for assistance in areas such as service standards, staff training, understanding the needs of international travelers, market intelligence and packaging products for sale.

Cultural Tourism

Although culture and heritage are not as strongly associated with Canada as outdoor products, Canada does have a rich and fascinating history to share with visitors. Also, our multicultural society enables Canada to offer visitors a unique blend of cultural traditions.

For the CTC, the challenge is to establish links between the mainstream tourism industry and Canada's cultural institutions and other providers of cultural experiences. Often, tourism operators do not recognize the market potential of Canada's cultural attractions, while cultural institutions do not view themselves as part of the tourism industry. Both groups need to be made aware of the opportunities that exist. Partnerships can then be created to take advantage of these opportunities.

Winter Tourism

Nearly 70 per cent of international tourists visit Canada during the second and third quarters of the year. To stimulate tourism in winter, the CTC is working to expand the inventory of winter tourism products and is encouraging the packaging and sale of these products.

In 2001, the CTC organized a Winter Packaging Contest, which drew 125 entries, and hosted a Winter Tourism Forum, which was attended by nearly 100 delegates. The CTC also launched a Winter Lights Contest in which communities across Canada were recognized for the quality of their holiday season lighting displays.

Other major product development initiatives included:

- A national cuisine forum, bringing together food writers and representatives from the tourism industry, restaurants, food processors and wineries. They discussed how best to position Canadian cuisine as part of Canada's tourism offering.
- An inventory of Canadian learning travel experiences was presented, and enthusiastically received at Rendez-vous Canada, the tourism industry's major international trade show.
- In partnership with Aboriginal Tourism Team Canada, a number of initiatives designed to help realize the potential of Canada's Aboriginal tourism products.
- A series of market-readiness workshops for outdoor adventure operators across Canada.

Looking ahead

Plans call for the expansion of the Product Club program, with increased efforts to create marketing opportunities for participants. Product development is expected to play an active role in identifying products that have the greatest potential for the CTC's new niche products marketing task force.

* ***B.C.'s Whistler Mountain resorts – U.K.'s Daily Telegraph newspaper (Best Ski Resort – in the World).***

Sir McDonald Peak, Glacier National Park, B.C. Rockies

Canada Market

Toronto – Canada's Favorate Canadian Destination in the Globe and Mail Reader's Choice Travel Awards.

Newspaper insert program

Following the events of September 11, the CTC and the Canadian industry increased their marketing efforts in the domestic market, a continuing staple for Canada's tourism industry.

The new marketing reality

- The CTC took quick action after September 11 to secure $8 million in one time funding to market the domestic program. This created a unique situation. The objective was to further increase inter provincial travel, build top-of-mind awareness and support our industry through difficult times. A comprehensive advertising campaign based on TV awareness, print and electronic advertising started in November and will continue into the spring of 2002.
- Following last year's major changes in global branding, the introduction of a new insert magazine format and the launch of a television campaign (incorporating a "pure" Canada travel message), the Canada Marketing Program continued to deliver a variety of marketing activities in 2001.
- The newspaper insert program is a cost efficient seasonal opportunity for partners, with five regional editions and a high profile national contest.
- For the third consecutive year, the Canada and U.S. Leisure travel programs joined forces for an Outdoor Experiences travel campaign that integrated magazines and newspaper ads, e-marketing, a fulfillment guide and a CTC/VIA Rail Internet and TV adventure vignette series.
- Direct mail planning packs continued with three seasonal targeted mailing opportunities for partners. The CTC's consumer data base grew to about 450,000 names.
- The Regional Tourism Marketing Initiatives Program provided strong marketing support to Small Medium Sized Enterprises (SMEs) to work together by forming consortia. As an example, one such consortium led by the Avalon Convention & Visitors Bureau promoted Atlantic Canada's fall season. The Regional Initiatives Program continues in 2002.

Looking ahead

The funding that remains for a second marketing phase between January and May 2002 will use TV and cinema commercials, newspaper, partner program investments and non-traditional partnerships to tie broader awareness with increased private sector offers. This will develop synergies between "one-time" and "core" marketing as well as partner initiatives.

Our three-year strategic business plan for 2002-2004 sets out strategic thrusts and activities essential to the Canada Marketing Program's success. The program will:

- continue to promote Canada as an exciting four-season destination;
- stimulate domestic travel by affluent Canadians aged 25-54; and
- focus on converting outbound travel in provinces with the greatest outbound flows, particularly for affluent segments aged 35 to 64.

In light of the new marketing reality, the Canada Marketing Program is well positioned to influence Canadians who are now more inclined to travel in Canada.

	2000 Results*	2001 Targets	2001 Results*	2001 Above/ Below Targets*
Overnight trips	14,614,000	14,336,000	14,541,000	+ 1.4%
Spending	$7.37 B	$7.48 B	$7.33 B	- 2.0%

* CTC estimates from NTI due to absence of accepted CTS data.

U.S. Market

The U.S. Marketing Committee through its strategic directions raises awareness of Canada through advertising, media relations and sales promotions. The Committee's direction offers clusters of products that appeal to American travellers such as touring, outdoor experiences, ski/winter, history and culture, and cities and resorts.

In response to the events of September 11, the CTC and the tourism industry in Canada and the U.S. put forward an unprecedented effort in communication, dialogue, coordination and marketing. In addition to the historical long haul concentration, marketing efforts were immediately focused on northern tier/border states and the drive market. This major effort was supported by a one time injection of $12 million marketing funds by the Canadian government. Coupled with a favorable exchange rate, and the fact that Americans travelled closer to home, the 2001 overnight trips and corresponding spending targets were exceeded.

To sustain presence and build the Canada brand, the U.S. Marketing group repositioned and redesigned its marketing activities. Newspaper and direct mail creative was reworked to respond to industry concerns to facilitate sales for tour operators and travel wholesalers.

U.S. Market initiatives in 2001 included the following examples:

- Through the Industry Proposal Program, the CTC continued to develop joint program initiatives with destination marketing organizations as well as partners in outdoor experiences, cruise, golf, spa and ski sectors.
- The Canada Specialist Program, whose thrust is to educate American travel agents about Canada, was re-engineered and re-marketed. As a result, some 400 new travel agents are now participating in the program, and ongoing educational activities are maintaining strong interest.
- Canadian partners met 200 American journalists at the Media Market Place in New York, resulting in 100 assignments to date.
- The CTC recognized excellence in travel journalism through the Northern Lights Awards. The event was supported by some 100 partners, including representatives from the airlines, accommodations and destinations industries.
- In Chicago, capitalizing on the Tall Ships, a three-day special event was developed to promote Canadian culture and travel.
- In British Columbia, 12 journalists experienced Canada's array of winter products during the Many Faces of Winter event.
- A concerted effort was made to work with film crews with syndication potential. Thirty-one film crews, a 40 per cent increase over last year experienced Canada for Jack Hanna Animal Planet, Ducks Unlimited, National Geographic and Gardens.
- In New York City, NBC broadcast 15-second spots about Canada throughout Canada Day. Total value of media coverage for the year reached $175 million.
- Two editions of the media newsletter, What's News in Canada, went out to 5,800 media organizations. An item about eco-tourism, outlining some 60,000 canoe routes in Canada, resulted in a number of major stories.
- The quarterly newsletter Canada Now! reached 30,000 travel agents, Canada specialists, tour operators and wholesalers in 2001. The magazine provides information about commissionable products for all seasons.

Looking ahead

- Canada will continue to seek new and innovative ways to satisfy the growing appetite for new travel products, more choices for all seasons and a wider selection of short getaway vacations.
- A media/public relations firm will be engaged to increase media coverage of Canada.
- A strengthened research program will enable us to better monitor the market while learning more about our customers.
- Canada's brand will be strengthened through a re-invigorated e-marketing program.
- Experiential oriented program elements will be increasingly integrated, generating more traffic and working the market more efficiently and effectively.

Gunisad Lake Lodge, Manitoba

Hot tubbing, Yukon wilderness Resort

	2000 Results	2001 Targets	2001 Results	2001 Above/ Below Targets
Overnight trips	12,862,000	12,605,152	13,252,000	+ 5.1%
Spending	$5.67 B	$5.55 B	$6.47 B	+16.6%

* Preliminary estimates

Meetings, Conventions and Incentive Travel (MC&IT) Market

The Meetings, Convention and Incentive Travel (MC&IT) Market faces a number of unique challenges:

- Canada's largest cities are viewed as "second and third tier" destinations due to a lack of infrastructure;
- the planning cycle for this market can be as long as 10 years;
- international business travellers and meeting and convention suppliers are apprehensive about border crossings;
- high prices for air and accommodation are eroding the value image of Canada;
- competition is increasing and emerging markets are taking market share;
- videoconferencing and teleconferencing is increasing; and
- reduced budgets have decreased the length and size of meetings.

The MC&IT Program was active in a number of areas in 2001 designed to make Canada the preferred choice among business travel leaders:

- Media Advertising occurred in targeted publications to raise awareness of Canadian destinations in the market.
- Direct Mail Programs continued containing messaging to specific target audiences.
- Tradeshows and Special Events that connect partner destinations with key market players were convened.

Partners participating in CTC marketing activities reported increased awareness of their destination or product, as well as increased bookings and requests for familiarization trips. Campaigns included a web-based component to boost traffic to partner websites, an integral component of the marketing equation.

The U.S. based Professional Convention Management Association (PCMA) agreed to hold its 2007 annual convention in Toronto. PCMA represents more than 2,000 members of the U.S. meetings, conventions and hospitality industry will attend. The convention industry generates over $100 billion (U.S.) annually.

Yukon was named a top destination for British incentive travel.

With confusion surrounding the events of September 11, actions were taken to assist the industry with regards to business travel.

A Disaster Response letter was sent to U.S. meeting planners offering support and contact information to obtain pertinent details about air access and border crossing changes into Canada. To keep the Canadian industry current about the effects of September 11 on tourism, the market was monitored closely with research, and in-market reports were provided on a weekly basis.

Efforts to build a distinctive relationship with MC&IT's markets in the U.S. and overseas are moving beyond the traditional product based approach. CTC global branding reinforces the experience of Canada's many great products-fine cuisine, natural beauty, the excitement of our big cities, the history behind our culture, and the warmth of our people-as they are important components of the rapidly growing cultural tourism market.

The MC&IT Committee is working closely with the tourism industry to identify and discuss joint experience based strategies. Images of golf courses, cuisine, spas and cities have been incorporated into the marketing campaigns. Increasingly, these experiences are highlighted at trade shows and special events as well as in-market promotions and marketplaces. Examples include:

- An interactive culinary CD was sent to 15,000 meeting planners in the U.S., a key part of the CTC/Ottawa Tourism Convention Authority partnership program in 2001. The CD, entitled Ottawa – Tastefully Yours, contains gourmet appetizer recipes provided by executive chefs at Ottawa's world class convention facilities. The CTC has identified Canada's culinary excellence as a key to selling Canada to U.S. meeting planners.
- As part of a campaign to reassure partners that Canada is a safe and exciting destination for incentive travel, CTC France hosted 25 meeting planners at a concert by world-renowned Canadian jazz singer, Diana Krall. The event helped CTC strengthen ties with industry partners and projected a positive and modern image for Canada.

Looking ahead

Individually and with its partners, the MC&IT Committee will:

- develop and implement joint promotional efforts to reinforce Canada's position as a destination for meetings, conventions and incentives;
- maximize the use of web/interactive technology;
- increase exposure through print media, the web and public relations;
- increase the participation of Canadian partners in in-market MC&IT national trade shows, events and regional showcases.
- conduct additional research in the area of domestic and overseas incentive, with the possibility of evolving the MC&IT program to further develop these markets.

	2000 Results	2001 Targets	2001 Results	2001 Above/ Below Targets
Overnight trips	2,363,000	2,411,000	2,277,000	- 5.6%
Spending	$1.78 B	$1.82 B	$1.62 B	-11.0%

* Preliminary estimates

Asia/Pacific Market

As a result of the slowing U.S. economy, continuing economic stagnation in Japan and a fragile recovery in other Asian markets overall, Asia/Pacific markets did not fare well in 2001. The events of September 11 also severely reduced travel from Asia.

Cancellation rates after September 11 averaged about 40 per cent. As more leisure travellers from Asia choose to stay close to home, Canada's challenge will be to persuade them to travel overseas. Air access issues and price-sensitive travellers remain key impediments.

On the bright side, marginal travel gains did emerge in the spring and winter seasons and most marketing initiatives for the year proceeded as planned.

Major Activities

- The CTC officially inaugurated the opening of an office in Beijing in April.
- The Australian based Today Show was broadcast from Western Canada during the first week of May. The show, highlighting different and varied aspects of life in Canada, reached over a million viewers in Australia daily. In advertising rates, a week live on the Today Show is worth an estimated AUD $4-5 million or $3-4 million Canadian.
- Despite the possibility of further terrorist attacks, Canada chose to proceed with its annual Canada Showcase in Bangkok, Thailand and Japan. Buyers from Taiwan, Korea, Hong Kong, Southeast Asia and Japan saw this as a positive commitment to the region.
- As Internet use in the area continues to rise (half the Korean population now has access to the Internet) so do the number of visitors to local CTC websites. As a result, e-marketing promotions are proving to be effective in this market.
- The first television crew from China ever to visit Canada spent time in British Columbia, Alberta, Quebec and Ontario. The Chinese television program will produce 10 segments – each 10 minutes long – to be seen by some 200 million viewers in China.
- A consumer research study on the Hong Kong market will be used to re-engineer a marketing program targeting travelers from this region.
- During the first quarter (January-March)* tourists were particularly drawn to The Northern Lights Aurora Viewing program in Yukon and Northwest Territories.
- The ski product sold exceptionally well in Australia during the first quarter of the year.
- The Global Media Outreach Program, an on-line weekly editorial program that sends material and images from New Zealand to international media and CTC offices worldwide, generated close to some $700,000 of free exposure.

Looking ahead

The Market Portfolio Analysis study will be used to define CTC activities in the region. It appears that Australia and China are the most promising markets in Asia/Pacific. Strong emphasis on the Japanese market, along with a marketing presence in Australia, Taiwan, South Korea, Southeast Asia, Hong Kong and China will be maintained.

Efforts will continue to improve advertising and public relations initiatives in all markets.

Research is underway to determine the effectiveness of the Colours of Canada advertising campaign in Japan (now in its third year). Results will be used to determine future campaigns in the area.

Canada will continue to lobby for "Approved Destination Status" (ADS) from the Chinese government in order to facilitate increased leisure travel by Chinese citizens to Canada. Until such time as ADS is achieved, marketing and sales activities remain limited in China.

Snowboarder jump at Sunshine Village Ski Resort, Banff National Park

	2000 Results	2001 Targets	2001 Results	2001 Above Below Targe
Overnight trips	1,430,000	1,311,900	1,313,900	+1.5%
Spending	$1.78 B	$1.63 B	$1.77 B	+8.6%

* Preliminary estimates

Europe/Latin America Market

Royal Alexandra Theatre, Toronto, Ontario

While the combination of the global economic slowdown and the events of September 11 had a profound impact on Canada's European and Latin American markets, there were some bright spots in 2001. First and foremost to harness efforts and marketing links, the Committee of Latin America joined the Committee of Europe and this Committee then became Europe/Latin America.

Europe

- A TV campaign in Europe, a joint initiative among the CTC, airlines and the provinces, posted impressive results in its second year. Based on a dream concept, the campaign was especially successful in the United Kingdom (enquiries up 44%) and Germany (enquiries up 73%). Inquiries generated by the campaign totalled 54,885.
- The CTC's consumer activities also increased in Italy, primarily through a print and radio advertising campaign. The CTC hopes the campaign will contribute to a Canada brand image and increase awareness of Canada as a destination.

The program also continued to capitalize on non-traditional partnerships in a number of markets. The following are samples of such partnerships in the past year.

- In Germany, the CTC entered into a cross-marketing cooperation with the clothing outfitter, Jack Wolfskin, at the Wolfskin Festival, to promote Canada and Nova Scotia to affluent German adults. The festival attracts some 25,000 Wolfskin clients annually. In cooperation with CRD, a leading German tour operator, and Tourism Nova Scotia, a Canada stand was erected on the festival grounds. Native dancers and artists also participated. Canada's participation attracted more than 250 requests for information about Canada. At a conversion rate of 20 to 25 per cent, approximately 100 people actually traveled to Canada.
- Also in Germany, the CTC entered into a four year cross marketing agreement with Porsche targeting wealthy, highly educated individuals interested in sport cars and premium travel. The 2001 component includes an IMAX movie to be shown worldwide showcasing different areas of Canada. The agreement calls for 24 different promotions over the next three years. The goal of the agreement is to raise overall awareness of Canada, increase bookings for Canada, and promote a wide range of Canada tourism products in British Columbia, Alberta and Yukon.
- In Italy, the CTC participated with the Italian distributor of the film, The Score (filmed in Montreal), to promote a contest in which the main prize was a trip to Canada. As part of the contest, 100,000 postcards were distributed in theatres and travel agencies, and the magazine, Film TV, featured Canada in two issues (61,000 copies). The goal of the contest was to increase visibility for Quebec and Canada and to generate names for the CTC database.
- The Europe/Latin America marketing program was formed, the result of the Mexican and Brazilian programs being amalgamated with the European program.
- Although Canada has a positive image overall, apart from the French market, Canada's awareness remains low and Canada still faces negative perceptions in terms of stereotypes.

Looking ahead

The Europe program's strategy will become more aggressive in the coming years, identifying Canada as a "safe destination" and encouraging Europeans to travel to Canada. To counter negative perceptions, Canada's positioning will be modified slightly. In addition, media spending will be increased to build Canada's brand and to raise awareness, and Canada's "good value for money" message will be highlighted in all marketing activities. In addition, more opportunities for Small Medium Sized Enterprises (SMEs) will be created at every level of the marketing mix.

	2000 Results	2001 Targets	2001 Results	2001 Above/ Below Targets
Overnight trips	2,876,000	2,814,700	2,727,500	-3.3%
Spending	$3.29 B	$3.28 B	$3.24 B	-1.2%

* Preliminary estimates

Latin America

In Latin America, the CTC's challenge was to maintain a Canadian presence in the key markets of Mexico, Brazil and Argentina. It should be noted that given a lack of marketing potential, and, as a product of industry discussions, the CTC has ceased operations in Argentina. The CTC's presence in these markets is designed to increase awareness of Canadian tourism products and experiences. To that end, strategies were implemented to:

- Work with tour operators to diversify their product offerings and to offer packages in a variety of price ranges;
- Educate the travel trade about new, more competitive, products that Canada can now offer;
- Intensify sales calls; hold and sponsor educational seminars, and;
- Enhance the public relations and media program.

The program achieved some excellent returns on its investments in Latin America in 2001:

- Some 50,000 Canada destination travel guides, produced in Portuguese and Spanish, were distributed at major events.
- In September, 300 tour operators and travel agents attended a breakfast of maple syrup and crêpes prepared by Pierre Faucher from La Sucrerie de la Montagne in Quebec at the annual Canada Invierno workshop in Mexico City.
- In cooperative advertising campaigns in Brazil, Air Canada and American Airlines promoted winter tourism in Canada.
- Canadian winter products were featured in an eight-page, full colour insert in the October 25 travel section of Mexico City's newspaper, El Economista. Canada was also profiled in a four-page insert on November 15. As a result of this partnership, El Economista featured at no cost to the CTC a quarter-page editorial covering a variety of Canadian products in its weekly travel sections from November 22 to the end of March 2002.
- Through a partnership with the magazine, Viajero 2000, Canada was featured in a series of billboard ads throughout Mexico City. The CTC purchased four pages of editorial in the September-October issue to promote Canadian winter products. This was expanded to nine pages at no extra cost to the CTC as well as the cover page. Another four pages of editorial appeared in the November-December issue. Winter packages in Canada were offered in each of the inserts.
- Marie Claire magazine, distributed in Spanish in Mexico and the southern U.S., invited readers to write an essay on "A Trip by Train." The winner, to be selected by a group of well-known authors, will enjoy a 10-day trip for two on the Rocky Mountaineer Railtour. Articles about the trip will appear in future editions of the magazine.
- In cooperation with the CTC, Tourism Quebec and partners, Stereo 100, a Mexico City radio station, broadcast its show from the Montreal Jazz Festival. The 98 minutes of exposure are valued at over $185,600.
- The Public Relations/Media program generated over $3 million of unpaid media coverage. Meanwhile, the investment of Canadian suppliers, airlines and major in-market tour operators in the Latin America program activities was valued at $1.3 million.
- From January to August, visitor arrivals from Mexico increased 11 per cent over the same period in 2000.

Condé Nast Traveler readers chose Vancouver as one of "the world's top 10 foreign cities" for the fourth year running. Vancouver was the only North American city to make the list.

Looking ahead

The CTC's Market Portfolio Analysis confirmed Mexico as a high potential secondary market. As a result, more investment and activities are planned for that market. Brazil ranked in the second tier markets whereas Argentina ranked extremely low.

Trillium – Ontario

Information Services

One of the objectives of the CTC is to provide the best possible information and data to aid industry and government decisions. Timely, accurate and relevant information as a foundation for sound marketing, investment and policy decisions is crucial for the industry if it wants to become more competitive, leading-edge and consumer centred. The Research Program provides macroeconomic market, product and industry research to the industry.

It is also a CTC role to foster a healthy business climate for tourism development by helping the industry address tourism issues affecting its competitiveness. The Industry Development Program works in close cooperation with federal departments, provincial and territorial tourism agencies and departments and industry associations to ensure that tourism is taken into consideration when they are developing their programs and policies.

The Communications Program exists to convey information to the industry, the public and private sectors, the media and the general public. Educating the domestic and international media on Canada's diverse tourism offerings is among the unit's goals.

Research

The CTC's Research unit works with major research and statistical organizations in Canada and the world to develop and organize data for the industry. This is done with these goals in mind:

- help the tourism sector understand its markets;
- enable the CTC to develop a similar understanding of industry trends; and
- track major economic conditions that affect the industry.

Sound methods produce valuable information

A supplementary research program was implemented to assess the impact of September 11 on Canadian tourism and guide the response of the industry. The Tourism Intelligence Bulletin, a new monthly report, summarized current industry research intelligence.

In May, the CTC (in partnership with Statistics Canada, the World Tourism Organization, the International Centre for Studies of Tourism Economics and Instituto Nationale des Estudios Turisticos) hosted the first-ever World Conference on Tourism Satellite Accounts (TSA) in Vancouver. A statistical tool, the TSA compares tourism with industries such as mining, agriculture and fisheries. More than 100 countries participated in the conference. The meeting set the agenda for the next 10 years of TSA development and implementation. The CTC, in partnership with Statistics Canada, presented an update of its TSA.

Key changes were introduced after a review of the research and information functions of the CTC. Market, industry and product research were combined into a single unit, creating a "virtual clearinghouse" of research information on CTX – CTX being the CTC business to business website. This will make data more available to the industry, especially to small and medium sized enterprises, in all regions of Canada.

It is essential to ensure a good return on investment, thus a correct balance must be maintained between investing in short term producing markets and potential growth markets of the future. To assist in this decision process, a Market Portfolio Analysis (MPA) model to evaluate objectively the potential and performance of markets in a fair and consistent manner was developed. This model has the capacity to establish priorities based on the results achieved.

The MPA model consists of a rating of eighteen variables and attributes for each market within three frames of reference where variables associated with their size, performance and potential are evaluated. The outcome of the model provides a framework for classifying markets according to a tier structure and provides useful insight on the qualification of CTC target markets. Currently, the model is being applied for the marketing area.

The Research team also developed a stable formula to revise estimates for the new centralized system of telephone interviews for the Canadian Travel Survey (CTS).

Northern Lights, Whitehorse, Yukon

Looking ahead

- Research will provide support to the newly created ad hoc Strategic Futures Committee of the Board to address long term issues affecting tourism growth.
- The Research Committee and CTC Research will design, test and implement an improved Canadian Travel Survey (CTS).

Working with the working committees of the Board and with partners from the research community, Research will develop and implement market and industry research projects. These projects will investigate new opportunities, issues and track and evaluate current advertising and promotional programs. The New Reality advertising campaigns in Canada and the United States, launched in response to the fallout from the terrorist attacks of last September, will be monitored and evaluated for their impact on travelers in both markets.

Industry Development

The Industry Development unit acts as a facilitator between the tourism industry and governments on issues affecting the industry's profitability and competitiveness. Like other groups within the CTC, the section faced a number of challenges in the wake of September 11.

For example, as border security measures were being re-evaluated, the CTC worked with government departments to seek a balance between the safety needs of Canadians and Canada's ongoing tradition of welcoming visitors. Industry Development participated in a bi-national study on perimeter security to improve the identification and processing of low risk travellers through a common U.S.-Canada perimeter.

The Industry Development unit also addressed the following challenges in 2001:

- Labour shortages, particularly in the hospitality sector, by participating in a Labour Shortage Steering Committee chaired by the Canadian Tourism Human Resource Council.
- Delays at border entry points created by the new gun legislation.
- Issues pertaining to the Goods and Services Tax Visitor Rebate Program.

Among key activities and achievements in 2001, the Industry Development unit:

- Increased awareness of risk management and insurance in the adventure, eco-tourism and alpine skiing sectors. This included the publication and distribution of a Risk Management and Insurance Guide.
- Helped plan and secure speakers for the National Tourism Industry Symposium on Air Issues in conjunction with the Hotel Association of Canada, Tourism B.C. and the Council of Tourism Associations of B.C. The symposium was postponed after September 11.
- Wrote a booklet on the CTC and its role as Canada's national tourism marketing and information organization.
- Acted as an advisor to the General Agreement on Trade in Services (GATS) negotiations for a schedule on tour guides.
- Provided information to international organizations such as the Organization for Economic Cooperation and Development and the World Tourism Organization.
- Increased awareness among tourism partners of issues such as air policy, customs, taxes and immigration regulations.

Maligne Lake, Jasper National Park

Fishing – Lake of Woods

- Partnered with the Canadian Academy of Travel and Tourism (CATT) to promote tourism careers to high school students.
- Analyzed the new Air Travellers Security Charge and its impact on the tourism industry. Also worked with the Department of Finance and Transport Canada to ensure visitors know how and why the new charge is being implemented.
- Analyzed the Immigration and Refugee Act and regulations for the potential impact on the tourism industry.
- Continued to enhance the CTC's working relationship with other government departments and national tourism organizations such as the Tourism Industry Association of Canada, the Hotel Association of Canada, and the Canadian Tourism Human Resource Council.

Looking ahead

This unit will continue to enhance its relationship with the Tourism Industry Association of Canada (TIAC), international organizations, and other government departments by underscoring such issues as financing for Small and Medium Size Enterprises (SMEs), air travel issues, risk management for SMEs, and various security issues as pertain to travel.

Tourism Reference and Documentation Centre (TRDC)

Established in 1974, the Tourism Reference and Documentation Centre (TRDC) provides timely and accurate information. TRDC's staff handle approximately 3,600 inquiries a year. The centre also relies heavily on the Internet and other electronic resources to access information and respond to questions.

The TRDC provides a valuable current awareness service to the CTC through an electronic media clipping service. It also publishes weekly synopses of important tourism stories in the electronic newsletter, Tourism Highlights. It is sent to approximately 1,200 individual and organizations, including all CTC staff. The newsletter is also posted to the industry on CTX.

The TRDC also maintains databases of tourism organizations, tourism related conferences, the Canadian Tourism Index and a catalogue of the centre's holdings. A file on current journal and newspaper articles, pamphlets and other publications of interest to the industry are also available.

Communications & Special Events

Created in January 2001, the Communications & Special Events Group supports the CTC's efforts to promote Canada as a four-season destination. It does this by raising the profile of the CTC, its marketing activities and its tourism products, and by providing timely, accurate and up-to-date information to the tourism industry, CTC employees, partners, and the media.

In 2001, the group focused on the following objectives:

- establish a strong image of the CTC's competencies;
- communicate the tourism industry and CTC's goals and programs to stakeholders; and
- familiarize CTC audiences with Canada as a premier travel destination
- The group launched a series of initiatives and programs to build awareness of the CTC and the tourism industry among targeted domestic audiences. The group's projects included:
  - publishing and global distribution of the multilingual brochure, Travel Tips, which provides key information to travelers planning to visit Canada;
  - creation of an internal employee newsletter to better inform staff in all markets of CTC employee and team initiatives, programs, accomplishments and results;

- repositioning of the CTC's industry newsletter, Communique. The name was changed to TOURISM, Canada's Tourism Monthly, distribution and advertising revenues were increased, editorial content was focused and a calendar was introduced;
- reporting on the CTC's contributions and action plan to the Official Languages Act;
- planning the World Ecotourism Summit, to be held in Quebec City, May 19-22, 2002 in partnership with Tourism Québec, the World Tourism Organization and the United Nations Environmental Programme.

The corporate and travel media relations focused on:

- being proactive and responsive to the needs of a diverse range of media outlets;
- communicating and promoting CTC messages to targeted traditional and specialized media;
- harmonizing CTC media relations practices and applications;
- raising awareness in the media of Canada as a travel destination; and
- increasing awareness of the CTC as a destination marketing organization.

Government Relations

Newly created as a function within the Crown corporation this group is the focal point for liaison with the federal, provincial and territorial governments in Canada. The purpose of the group is to raise awareness of government officials on issues affecting the industry.

Be up to date on all Industry happenings subscribe to Tourism: Canada's Tourism Monthly at tourism@ctc-cct.ca or fax Tourism at 613.954.3839

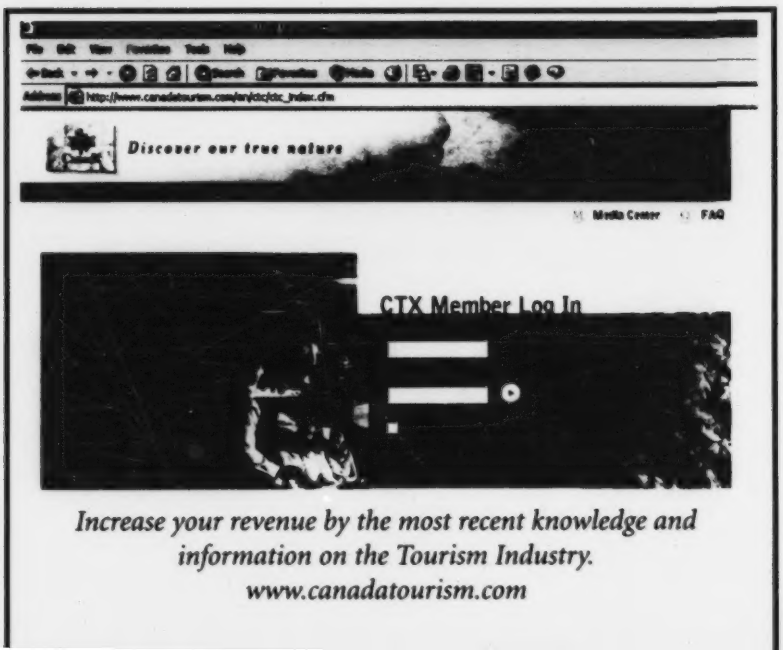
Corporate Services

Financial Services

The Financial Services division was formed in January 2001, the same day the CTC became a Crown Corporation. The division encompasses finance, procurement, facilities management, and travel services. Though Ottawa-based, financial and procurement services support CTC offices around the world.

In 2001, the finance group implemented an independent infrastructure to comply with the Financial Administration Act, Treasury Board policies and generally accepted accounting principles. The group also implemented budgeting and treasury management processes as well as internal control policies and procedures in accordance with the delegation of authorities determined by the Board of Directors.

The procurement group implemented its own contracting policies and procedures, including systems development. The range of contracting services includes partnership agreements, contracts and purchase orders. Services were provided to both Head Office and offices abroad. In addition, travel services were implemented for Head Office staff. The group also managed office facilities and services in Ottawa.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www.canadatourism.com

Looking Ahead

In the next year, Financial Services will refine systems and procedures established in 2001.

- The effectiveness of the group's JD Edwards software will be reviewed.
- Payment and procurement processes will be extended to include offices outside of Canada.
- Improved budget and financial reporting will be implemented.

Technology

A comprehensive e-strategy, recommended by the Technology Committee and approved by the Board of Directors, articulated two complementary visions:

- Develop an objective online presence that a) provides content to encourage consumers to explore Canada and b) supports data-driven marketing
- Unite the industry in an online travel community to collect content for the consumer site.
- Work on the short and long term recommendations contained in the report began in the last half of 2001 and continues through 2002.

Looking ahead

This group will focus mainly on the CTC's computing infrastructure. It will continue to provide support to the two web sites and will implement a computing infrastructure that meets CTC requirements.

Human Resources

Efforts in 2001 focused on refining resources and skills required within the CTC. As part of that effort, the CTC provides training that is cost effective and responds to needs arising from our Corporate Strategic Plans.

During the year, particular attention was paid to ensuring effective working relationships among staff, especially those based in Ottawa and abroad.

A "Welcome Aboard Program" was developed to welcome new employees and to facilitate their integration into the CTC.

An Organizational Review was conducted which focussed on aligning our business units as well as ensuring each unit had valid ressource support.

In addition, Human Resources took over the responsibilities for administering locally engaged staff benefits and this has aided the development of the CTC culture with locally engaged staff.

Contract personnel were regularized and became employees of the Commission.

Finally, an awards and recognition program was initiated to celebrate long service employees and special achievements.

Looking ahead

Work has begun on developing a compensation program which is both market based and performance based. In addition, policies and programs to attract and retain qualified staff as well as the negotiation of a new collective agreement for employees and a "mentoring" program are in their initial stages. A succession plan for the CTC is also in the development stages.

Fairmont Chateau Lake Louise, Banff National Park

Chuckwagon Race, Calgary Stampede

Financial Statements

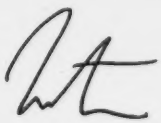
Management Responsibility Statement

The management of the Commission is responsible for the performance of the duties delegated to it by the Board of Directors. These include the preparation of an Annual Report together with audited financial statements. These statements, approved by the Board of Directors, were prepared in accordance with Canadian generally accepted accounting principles appropriate in the circumstances. Other financial and operational information appearing elsewhere in the Annual Report is consistent with that contained in the financial statements.

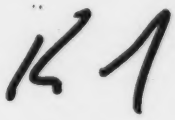
Management maintains internal accounting control systems designed to provide reasonable assurance that relevant and reliable financial information is produced and that transactions comply with the relevant authorities.

Management also maintains financial and management control systems and practices designed to ensure the transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *Canadian Tourism Commission Act* and by-laws of the Commission. These systems and practices are also designed to ensure that assets are safeguarded and controlled and that the operations of the Commission are carried out effectively. In addition, the Audit Committee, appointed by the Board of Directors, oversees the internal audit activities of the Commission and performs other such functions as are assigned to it.

The Commission's external auditor, the Auditor General of Canada, is responsible for auditing the financial statements and for issuing her report thereon.



Jim Watson
President
and Chief Executive Officer



Karin Zabel
Vice President Finance and
Chief Financial Officer

March 8, 2002

AUDITOR GENERAL OF CANADA VERIFICATEUR GÉNÉRAL DU CANADA

AUDITOR'S REPORT

To the Minister of Industry

I have audited the balance sheet of the Canadian Tourism Commission as at December 31, 2001 and the statements of operations and deficit of Canada and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Further, in my opinion, the transactions of the Commission that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canadian Tourism Commission Act* and the by-laws of the Commission.

Richard Flageole, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
March 8, 2002

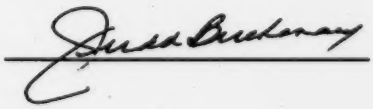
Balance Sheet

...ISM COMMISSION
...ET
...05)

	As at December 31, 2001	As at January 2, 2001
Assets		
Current assets		
Cash	$ 10,560	$ -
Accounts receivable:		
Government of Canada	7,713	8,494
Other	2,656	1,556
Inventories	139	12
Prepaid expenses	2,447	36
	23,515	10,098
Capital assets (note 4)	1,430	902
	$ 24,945	$ 11,000
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities:		
Government of Canada	$ 464	$ 696
Other	14,326	7,582
Deferred parliamentary appropriations (note 7)	6,905	-
Current portion of employee future benefits (note 5)	-	141
	21,695	8,419
Employee future benefits (note 5)	3,804	3,194
Deferred capital funding (note 6)	1,430	902
	5,234	4,096
Deficit of Canada (note 3)	(1,984)	(1,515)
	$ 24,945	$ 11,000

Commitments (note 9)
The accompanying notes form an integral part of the financial statements

Approved on behalf of the Board of Directors:



Statement of Operations and Deficit

[illegible]TOURISM COMMISSION
[illegible]OF OPERATIONS AND DEFICIT OF CANADA
[illegible]R ENDED DECEMBER 31, 2001
[illegible]NDS)

Revenue	
Partnership contributions	$ 7,954
Other	711
	8,665
Expenses	
Marketing and sales	79,816
Information services	9,328
Corporate services	11,462
Amortization of capital assets	505
	101,111
Net Results of operations before parliamentary appropriations	(92,446)
Parliamentary appropriations (note 7)	90,472
Amortization of deferred capital funding (note 6)	505
	90,977
Net results of operations for the year	(1,469)
Deficit of Canada, beginning of year	(1,515)
Services provided without charge by Government departments (note 10)	1,000
Deficit of Canada, end of year	$ (1,984)

The accompanying notes form an integral part of the financial statements.

Statement of Cash Flows

TOURISM COMMISSION
OF CASH FLOWS
EAR ENDED DECEMBER 31, 2001
NDS)

Operating activities:	
Net results of operations	$ (1,469)
Items not affecting cash:	
Amortization of capital assets	505
Amortization of deferred capital funding	(505)
Changes in non cash working capital	10,560
Services provided without charge	1,000
Change in employee future benefits	469
Net Cash provided by operations	10,560
Investing activities:	
Acquisition of capital assets	(1,033)
Financing activities:	
Parliamentary appropriations used for the acquisition of capital assets	1,033
Increase in cash position	10,560
Cash, beginning of year	-
Cash, end of year	$ 10,560

The accompanying notes form an integral part of the financial statements

Canadian Tourism Commission
Notes to Financial Statements as at December 31, 2001
(in thousands)

1. Authority and Objectives

The Canadian Tourism Commission (CTC) was established on January 2, 2001 under the *Canadian Tourism Commission Act* and is an agent Crown Corporation named in Part I of Schedule III to the *Financial Administration Act*. The Commission is not subject to income taxes.

As stated in section 5 of the Act, the CTC's mandate is to:

- sustain a vibrant and profitable Canadian tourism industry
- market Canada as a desirable tourist destination
- support a cooperative relationship between the private sector and the governments of Canada, the provinces and the territories with respect to Canadian tourism; and
- provide information about Canadian tourism to the private sector and the governments of Canada, the provinces and territories.

2. Significant AccountingPolicies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. A summary of significant policies follows:

a) Parliamentary appropriations

The CTC is mainly financed by the Government of Canada through parliamentary appropriations. Parliamentary appropriations are recognized in the year in which the related expenditures are incurred.

Appropriations for depreciable capital assets are recorded as deferred capital funding on the balance sheet and amortized on the same basis and over the same periods as the related capital assets. Upon disposition of funded depreciable capital assets, the CTC recognizes into income all remaining deferred capital funding related to these capital assets.

b) Partnership contributions

The CTC conducts marketing campaigns in partnership with a variety of Canadian and foreign organizations. Where the CTC assumes fully the financial risks of an activity, and invoices partners for their share of the costs of the activity, the partner contribution is recorded as revenue and the costs are recorded in the statement of operations.

c) Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rates. Revenue and expense items are translated at average exchange rates during the year. Translation gains and losses are included in income for the year.

d) Capital Assets

Capital assets are recorded at cost and amortized on the straight-line basis over the estimated useful life of the assets as follows:

Leasehold improvements	Remaining term of lease
Office furniture	5 years
Computer equipment and software	3 and 5 years

Capital assets transferred to the CTC as at January 2, 2001 are recorded at their historical cost, less accumulated amortization in accordance with the above rates.

e) Employee future benefits

Severance benefits

Canadian and foreign employees of the CTC are entitled to specific benefits on termination provided for under collective agreements and conditions of employment. The liability for these benefits is recorded as the benefits accrue to employees.

Pension plan

Canadian employees of the CTC participate in the Public Service Superannuation Plan administered by the Government of Canada. Under present legislation, contributions made by the CTC to the Plan are 2.14 times the employees' contributions on account of current service. These contributions represent the total pension obligations of the CTC and are charged to operations on a current basis. The CTC is not required under present legislation to make contributions with respect to any actuarial deficiencies of the Public Service Superannuation Account.

Foreign employees either receive a lump sum pension entitlement on retirement or are members of various local defined contribution plans. Employer contributions vary depending upon the plan. These contributions represent the total obligations of the CTC and are charged to operations on a current basis.

f) Services provided without charge by Government departments

Services provided without charge by Government departments are recorded as operating expenses by the CTC at their estimated fair value. A corresponding amount is credited directly to the Deficit of Canada.

g) Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expense during the reporting periods. Actual results could differ from those estimates. The most significant estimate is employee future benefits.

3. Deficit of Canada

As indicated in Note 1, on January 2, 2001 the Canadian Tourism Commission became a Crown Corporation and all assets and liabilities of the CTC as a Special Operating Agency of the Department of Industry were transferred to the CTC. The net book value of the elements transferred has been credited to the Deficit of Canada.

The Deficit of Canada represents liabilities incurred by the CTC, net of deferred capital funding, that have not yet been funded through appropriations. The significant component of this amount is employee future benefits.

4. Capital assets

	Cost	Amortization	Value	Value
[illegible]	$155	$136	$19	$33
[illegible]	375	247	128	79
Computer equipment and software	2,043	760	1,283	790
Total	$2,573	$1,143	$1,430	$902

5. Employee future benefits

	2001	2000
Severance benefits	$ 2,864	$ 2,591
Foreign employee pension entitlements	940	744
	3,804	3,335
Less: current portion	0	141
	$ 3,804	$ 3,194

The current year's expense for employee future benefits is $1.7 million.

6. Deferred capital funding

Deferred capital funding represents the unamortized portion of parliamentary appropriations used to purchase depreciable capital assets. Changes in the deferred funding balance are as follows:

	2001
Balance at the beginning of the year	$ 902
Appropriation used in the current year to purchase depreciable capital assets	1,033
Amortization	(505)
Balance at the end of the year	$ 1,430

7. Parliamentary Appropriations

	2001	
Amount provided for operating and capital expenditures:		
Estimates voted in 2000-01	$ 83,100	
Less: Portion recognized in calendar 2000	39,604	43,496
Main Estimates voted in 2001-02	82,460	
Supplementary estimates:		
Olympic Games	5,000	
	87,460	
Less: Portion to be recognized in calendar 2002	32,546	
Deferred parliamentary appropriations	6,905	48,009
		91,505
Amounts used to purchase depreciable capital assets		(1,033)
Parliamentary appropriations		$ 90,472

8. Reconciliation of net results of operations to government funding basis

The Canadian Tourism Commission receives its funding from the Government of Canada based primarily on cash flow requirements. Items recognized in the Statement of Operations and Deficit may be funded by the Government of Canada in different years. Accordingly, the Commission has different net results of operations for the year on a government-funding basis than on a Canadian generally accepted accounting principles basis. These differences are outlined below:

	2001
Net results of operations for the year	$ (1,469)
Items not requiring (not providing) operating funds:	
Amortization of capital assets	505
Amortization of deferred capital funding	(505)
Services provided without charge	1,000
Change in employee future benefits	469
Net results of operations for the year on a government-funding basis	$ 0

9. Commitments

The CTC has entered into various agreements for services and leases for office premises and equipment in Canada and abroad. Minimum annual payments under these agreements are approximately as follows:

2002		$ 11,166
2003		1,587
2004		168
	Total	$ 12,921

10. Related party transactions

The CTC is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations and is primarily financed by the Parliament of Canada.

In the normal course of business and on normal trade terms applicable to all individuals and enterprises, the CTC incurred expenses totaling $6.8 million for services purchased and rental of space from other government departments and agencies, and received partnership contributions totaling $0.2 million for services rendered to other departments and agencies.

During the year, the CTC received services without charge which are recorded at their estimated fair value in the financial statements as follows:

Accommodation	$ 740
Audit services by the Office of the Auditor General	260
	$ 1,000

11. Financial instruments

The carrying amounts of the CTC's accounts receivable and accounts payable and accrued liabilities approximate their fair values.

Board of Directors

CHAIRMAN OF THE BOARD
The Honourable Judd Buchanan

PRESIDENT & CEO
Jim Watson

NATIONAL REPRESENTATIVES

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Craig P. Farrell
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Yvon Milette
Owner, Marina de Grand-Mere, Quebec

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President & Chief Executive Officer
Concert Properties Ltd., British Columbia

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Vice-Chair,
Aboriginal Tourism Team Canada, Yukon

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President and Co-Founder
Inniskillin Wines Inc., Ontario

Simon Cooper
President
Ritz-Carlton Hotel Company, Ontario

Rod A. Seiling
President
Greater Toronto Hotel Association, Ontario

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Susan Bartlett-Nelson
Proprietor, Inn on the Lake, Nova Scotia

Frank Butler
Deputy Minister and CEO, Tourism PEI,
Prince Edward Island

Robert DeGrace (February 2001)
Owner & General Manager, Best Western Danny's Inn & Conference Centre,
New Brunswick

Robert Thompson (February 2001)
Deputy Minister, Department of Tourism, Culture & Recreation, Newfoundland and Labrador

Michele McKenzie
Deputy Minister
Department of Tourism and Culture,
Nova Scotia

Quebec

Lucille Daoust
Associate Deputy Minister of Tourism, Tourism Quebec, Quebec

The Honourable Charles Lapointe
President, Greater Montreal Convention and Tourism Bureau, Quebec

Jean Thiffault (December 2001)
President, Associations touristiques regionales associees du Quebec, Quebec

Ontario

Donald Obonsawin
Deputy Minister, Ministry of Tourism, Ontario

Grant Hooker (September 2001)
Founder/Chairman, Hooker/Harbrecht Ltd. and BeaverTails Canada Inc., Ontario

Chris Cahill
President & COO
Fairmont Hotels & Resorts, Ontario

Manitoba/Saskatchewan

Tom Carson
Deputy Minister, Department of Culture, Heritage & Tourism, Manitoba

Deborah Greening
Owner/Operator, Land of the Loon Resort and Jacobson Bay Outfitters, Saskatchewan

Alberta/Northwest Territories/ Nunavut

Robert J. Fessenden (April 2001)
Deputy Minister, Alberta Economic Development, Alberta

Bob McLeod
Deputy Minister
Department of Resources, Wildlife and Economic Development, NWT

David Morrison
President & Chief Executive Officer
Brewster Transportation & Tours, Alberta

British Columbia/Yukon Territory

Pat Corbett (September 2001)
President and Owner, The Hills Health and Guest Ranch, British Columbia

Rod Harris
President and CEO
Tourism British Columbia

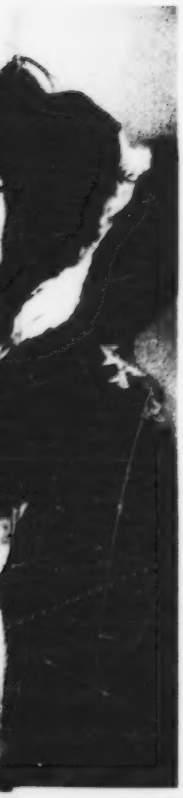
Nancy Huston
Co-owner, The Whitehorse General Store and Midnight Gallery, Yukon

FEDERAL GOVERNMENT

V. Peter Harder
Deputy Minister, Industry Canada, Ontario

Parliament Hill, Ottawa, Onta

Inuk Girl & puppy



Working Committees

Canada Committee

Pierre Labrie, Chair
Director, Greater Quebec and Area Tourism and Convention Bureau

United States Committee

Christena Keon Sirsly, Chair
Chief Strategy Officer, VIA Rail Canada

MC&IT Committee

Penny McMillan, Chair
President & CEO, Tourism Winnipeg

Europe/Latin America Committee

Sylvie Bourget, Chair
Vice President, Marketing, Air Transat

Former Latin America Committee

Alfred Rost
President, Incentours Inc.

Asia/Pacific Committee

Brian Richardson, Chair
Vice President, Marketing, Fairmont Hotels & Resorts

Research Committee

Stephen L.J. Smith (Acting Chair)
Professor of Tourism, University of Waterloo

Past Chair

Simon Cooper
President, Ritz-Carlton Hotel Company

Industry and Product Development Committee

Ursula Thiboutot, Chair
Senior Counsel, Delta Media, Ontario

Former Technology Committee

Marc Rosenberg, Chair
Vice President, Sales and Product Distribution, Air Canada

In-Market Advisory Committee Chairs

These Committees of Industry review and recommend activities for the various markets. It should be noted that while a Committee exists for the United States, no formal Chair has been identified.

Europe/Latin America

Germany
Tilo Krause-Dunow
CANUSA Touristik GmbH & Co. KG

Switzerland
Rolf Weinmann
Pandora Enterprises

France
M. Jacques Buchalet
Wagram Energie Tourisme d'Affaires

United Kingdom
Bob Atkinson
Air Canada

Stephen Powell (Past Chair)
Bluebird Holidays

Italy
Marco Cisini
Hotelplan Italia

Netherlands
Vacant

Mexico
Carlos Candia
ONVISA

Brazil
Martin Jensen
Queensberry

Asia Pacific

Japan
Akio Yokomizo
JTB World Vacations

Australia
David Mulley
Asia Pacific Travel Marketing

New Zealand
Malcolm Johns
Discover Holidays New Zealand

Taiwan
Raymond Chang
Air Canada

Korea
Young Lee
Air Canada

Hong Kong
Vacant

CANADIAN TOURISM COMMISSION

COMMISSION CANADIENNE DU TOURISME

Corporate Values (as determined by employees)

We adhere to integrity and respect for others as guiding principles to success.

We provide value-added services and products to our clients to create an effective and competitive business environment within the Canadian tourism industry.

We value communication and interaction as key functions to working successfully as a team.

We seek to achieve the highest level of quality in everything we do; we conduct ourselves with the utmost professionalism; and we strive to be an organization that values and supports continuous learning.

Canadian Tourism Commission
235 Queen Street
8th Floor, West Tower
Ottawa, Ontario
K1A 0H6

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www.canadatourism.com
www.travelcanada.ca

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